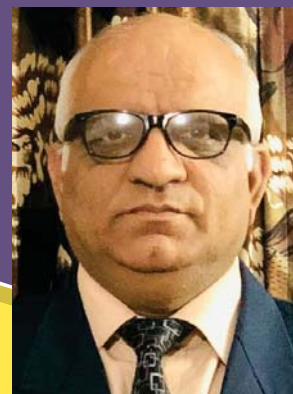


Holistic Support and Outreach Programme for the Micro, Small and Medium Enterprises (MSME) Sector



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Introduction

In a big boost for the present Government, India climbed another 23 points in the World Bank's ease of doing business index from a year ago to 77th place, according to the "Doing Business 2019" report out of 190 countries on the ease of doing business ranking becoming the top ranked country in South Asia for the first time and third among the BRICS. Ease of doing business is an index published by the World Bank and is an aggregate figure that includes different parameters which define the ease of doing business in a country. It is computed by aggregating the distance to frontier scores of different economies. The distance to frontier score uses the 'regulatory best practices' for doing business as the parameter and benchmark economies according to that parameter. Indicators for which distance to frontier is computed include construction permits, registration, getting credit, tax payment mechanism etc.

MSME sector is the second largest employment providing sector provides in the country after agriculture. This sector comprises varied heterogeneous products and sectors including weaving, textiles, medicines, sports, woolen, energy, manufacturing and service in various fields that contribute to the Indian economy. In fact it is visible in each and every small item to the highly complicated parts being used in the modern emerging technologies and services. Innovation, creativity, research and development including incremental development in business all is the starting milestone for breakthrough / penetration of products and services in the market on MSME basis for obvious reasons.

Hon'ble Prime Minister (PM) Shri Narendra Modi, launched a historic and holistic support and outreach programme for the Micro, Small and Medium Enterprises (MSME) sector unveiling 12 key initiatives which will help the growth, expansion and facilitation of MSMEs including new enterprises/ Startups across the country. The implementation of this outreach programme will be intensively monitored over the next 100 days. Apart from above announcements, the Prime Minister also spoke of social security for the MSME sector employees and said that a mission will be launched to ensure that they have Jan Dhan Accounts, provident fund and insurance.

While launching 12 key announcements for support and Outreach Initiative for MSME sector on 2 November 2108, Hon'ble Prime Minister lauded the role and importance of MSME sector as a sector that strengthens the Indian economy in a sustainable manner. MSME sector is spread across the country and various achievements of this sector including the geographical indicators of products make the country proud of. These include sarees of Kanchipuram and Banaras, handloom of Panipat, hosiery of Ludhiana, brass of Yamurabad, locks of Aligarh, auto sector of Jamshedpur and Pune, chemical industry of Bharuch, pumps of Coimbatore, handicrafts and stone industry of Jodhpur and Kishangarh, jewellery of Yaktuck, paintings of Madhubani, sports industry of Meerut, etc. MSMEs are the job creators and the entrepreneurs provide the job to others and are not job seeker that makes them unique and vital in their role in transforming the society and economy. 100 MSME districts have been announced where Hon'ble Prime Minister himself would monitor the progress of these announcements in next 100 days in order to lay a strong foundation of technology driven clean business with more focus and energy on the slogan Make in India

Hon'ble Prime Minister categorized various issues related to MSMEs into following categories:

- A - Access to easy credit and loan at low rate of interest and maintenance of cash flow in the industry which is the first need of any business
- B - Access to market and partnership and participation in platforms like e-commerce for increasing share of entrepreneurs
- C - Technology Upgradation
- D - Ease of Doing Business, less government intervention, and
- E - Concern of safety in Employees

These 12 announcements are mentioned as under:

Access to Credit

1. Launch of 59 minute loan portal to enable easy access to credit for MSMEs. In-principle approval of loans up to Rs. 1 crore through the portal. Portal link through GST portal: MSMEs face problems in getting timely credit. Finance is the primary need of

business. Availability of timely and hassle-free credit with low rates of interest are utmost necessity of MSMEs. MSMEs are unable to get the adequate credit and also there are delays in sanctioning of loans. In order to make available timely and hassle-free credit, 59 minute loan portal (Having Analytics on Turnover, Tax return and Cash Flow etc.) is launched to enable easy access to credit for MSMEs. Loans up to Rs. 1 crore can be granted in-principle approval through this portal, in just 59 minutes. A link to this portal has been made available through the GST portal. No one would henceforth be compelled to visit a bank branch repeatedly.

2. (i) 2% interest subvention for all GST registered MSMEs, on fresh or incremental loans: In order to relax the interest on the credit being given to MSMEs, it has been decided that 2% interest subvention will be given to all GST registered MSMEs up to a new or incremental loans of up to Rs. 1 crore. The Small Industries Development Bank of India (SIDBI) will be nodal agency for the receipt of claims. This will also enable increase in GST enrollment by MSMEs.
- (ii) Increase in interest rebate from 3% to 5% for exporters who receive loans in the pre-shipment and post-shipment period: For exporters who receive loans in the pre-shipment and post shipment period, an increase in interest rebate from 3% to 5% has been announced. It will boost the exports by MSMEs. This increase will allow small and medium exporters in labour intensive and other specified sectors to avail loans from banks at 5% lower rate than the prevailing market rate.
3. All companies registered with the Companies Act, 2013 (18 of 2013) with a turnover of more than Rs. 500 crore (Rupees five hundred crore) and all Central Public Sector Enterprises shall be required to get themselves on boarded on the Trade Receivables Discounting System platform (TReDS), set up as per the notification of the Reserve Bank of India. It will enable entrepreneurs to access credit, based on upcoming receivables: All companies with a turnover more than Rs. 500 crore and all Central Public Sector Enterprises must now compulsorily be brought on the Trade Receivables e-Discounting System (TReDS). Joining this portal will enable entrepreneurs to access credit from banks, based on their upcoming receivables. This will resolve their problems of cash cycle. In this regard, Ministry of MSME has issued a notification vide No. S.O.5621 (E) dated 02.11.2018. Accordingly The Registrar of Companies in each shall be the competent authority to monitor the compliance of these instructions by companies under their jurisdiction and the Department of Public Enterprises, Govt. of India shall be the competent authority to monitor the compliance of such instructions by Central Public Sector Enterprises. CPSUs shall encourage their vendors as well to bring on TReDS platform.

Access to Markets

4. Central Public Sector Undertaking (CPSUs) units to make mandatory procurement of 25% instead of 20% from MSEs: At present, the Ministry of Micro, Small and Medium Enterprise (MSME), Government of India has notified Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2012 which mandates 20% of annual procurement by the Central Ministries/ Departments and CPSEs from MSEs including 4% from MSEs owned by SC/ST entrepreneurs. This

Policy has become mandatory w.e.f. 1st April, 2015.

It has been felt that an enhancement of benchmark preference from 20% to 25% and 3% reservation for women would further help the MSEs immensely in the Government's 'Make in India' initiative. Accordingly, it has been announced -

To increase in the percentage of procurement of goods and services by Government Departments/CPSEs from MSEs from the present at least 20% to at least 25% of their total procurement;

5. To provide for a minimum of 3% reservation for women owned MSEs within the above mentioned 25% reservation to make it more inclusive. It will empower the women entrepreneurs in the country.
6. CPSUs to compulsorily be part of Public Procurement Portal GeM-Government e-Marketplace. CPSUs to get their vendors registered on GeM portal: The Government had about 2-2.5 years before started Government e-Marketplace (GeM) with an objective to bring transparency in Govt. procurement. This platform is also available for MSMEs so that they may sell their products to the Govt. Departments with ease. At present, more than 1.5 lakh suppliers have now registered with GeM, out of which 40,000 are MSMEs and transactions worth about Rs. 14,000 crore and 9 lakh orders have been made so far through GeM. It has been decided to strengthen GeM mechanism. Accordingly, all Public Sector Undertakings of the Union Government must now compulsorily be a part of GeM. They should also get all their vendors registered on GeM.

Technology Up gradation

7. 20 Hubs and 100 Spokes in the form of Tool Rooms for Technological Up gradation to be established across the country with a fund allotment of Rs. 6000 crore: Ministry of MSME has established 18 Technology Centres (TCs) in various verticals of manufacturing sectors, which concentrate on an integrated development of the related segments of industries by way of providing quality tools, trained personnel and consultancy in tooling and related areas.

Keeping in view the success of TCs in serving MSMEs, the Govt. felt a strong need to strengthen the TCs network by modernizing the existing TCs and setting up more TCs across the country by establishing 15 Technology Centres and upgrading / modernizing the existing TCs under the Technology Centre Systems Programme (TCSP) at an estimated cost of Rs. 2,200 crore including World Bank funding of USD 200 Million.

However, there is an immense need to further increase the geographical footprint of TC Network through future ready new TCs, and vertical and horizontal expansion to cover more states/ regions and reach out to district level through extension centres. Towards this purpose, recently Hon'ble Prime Minister announced to establish 20 Technology Centres and 100 Extension Centres at an estimated cost of Rs. 6000 crore.

To further strengthen the technology up gradation in the country, it has been announced that 20 hubs will be formed across the country, and 100 spokes in the form of tool rooms will be established. A package of Rs. 6000 crore has been announced for this purpose. It will enable better design, quality, training &

consultancy for the benefit of MSMEs.

In order to further increase the details furnished by the entrepreneurs on self certification basis, it has been decided to simplify the environment clearance process and that also on self-certification basis. At present, MSMEs are needed to get two clearances namely, environmental clearance and consent to establish, in order to establish their enterprise. Henceforth it has been announced that MSMEs are required to obtain only one consent under combined air pollution and water pollution laws. Return will be accepted through self-certification. Also the routine inspections under environment clearances will be discontinued and only 10% MSMEs will be inspected.

Ease of Doing Business

8. Clusters for Pharma MSMEs to be supported with 70% Govt. of India assistance: A number of MSMEs in the Pharmaceutical sector have been working in the country which has immense talent. These enterprises manufacture the medicines and some of them export also. But many of these enterprises are compelled to sell their medicines in often through large companies. In order to facilitate their business and to make their reach directly to the customer, it has been decided to form pharma clusters for MSMEs. It will enable increase in their production. 70% cost of establishing these clusters will be borne by the Govt. of India.
9. Only one annual return to be filed for 8 Labour laws and 10 Union regulations to simplify Government procedures: In order to ease of doing business, it has been decided that the Govt. Process in the business environment should be easy to follow and requires less forms and returns to be filed by the entrepreneurs. Accordingly, return under 8 labour laws and 10 Union regulations be filed only once a year, against twice earlier.
10. Computerized random allotment for visits to firms by Inspectors to simplify Government procedures.

11. In order to further increase the details furnished by the entrepreneurs on self certification basis, it has been decided to simplify the environment clearance process and that also on self-certification basis. At present, MSMEs are needed to get two clearances namely, environmental clearance and consent to establish, in order to establish their enterprise. Henceforth, it has been announced that MSMEs are required to obtain only one consent under combined air pollution and water pollution laws. Return will be accepted through self-certification. Also the routine inspections under environment clearances will be discontinued and only 10% MSMEs will be inspected.

12 Change(s) in Companies Act as a relief to MSMEs: It has been observed that entrepreneurs had to face a lot of legal complications because of their minor omissions and lapses in implementing various provisions under Companies Act and sometimes they are required to face legal punitive action by the Courts. In order to give them relief, the provisions of Companies Act have been amended to ensure relief to MSMEs from legal complications. Accordingly henceforth it has been announced that MSMEs need not to go the Courts to rectify their minor omissions and can get rectified them by visiting concerned Departments.

Measures on Social Security for MSME Sector Employees

A mission will be launched to ensure that the MSME sector employees have Jan Dhan Accounts, Employee Provident Fund and ESIC. These decisions would go a long way in strengthening the MSME sector in India. ■

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- Over 30% contribution to GDP
- Employing more than 11.1 crore people
- Over 78% rely on self-financing to meet their credit requirements
- Rs 3794 crores have been earmarked for MSMEs in the Union Budget

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IOD's MSME division envisions providing a holistic platform to facilitate growth and competitiveness of the MSME sector. It aims to become a pioneer body for the professional development of the MSME sector, especially the thriving start-up enterprises.

At IOD, we appreciate the diversity and the challenges that MSME's bring with themselves and we aim to address them through a portfolio of activities spanning from training to specialized award system.

- Training and Interactions such as seminars and workshops;
- Engaging in documentation and research on MSMEs practices;
- Encouraging cluster development initiatives;
- Using our pivotal crosscutting position to create synergy among various facets of the MSME sector.

